EXHIBIT B

From: Sean Cameron ▮▮▮▮▮▮▮▮▮▮▮▮ 🔗

Subject: Re: Wisconsin deck -- review for Tim meeting on 6/20

Date: June 19, 2023 at 9:54 GMT+0000

To: Philip Schiller ▮▮▮▮▮▮▮▮▮▮, Greg (Joz) Joswiak ▮▮▮▮▮▮▮▮▮, Craig Federighi ▮▮▮▮▮▮▮▮▮▮, Eddy Cue ▮▮▮▮▮▮▮▮, Kate Adams ▮▮▮▮▮▮▮▮▮

Cc: Matt Fischer ▮▮▮▮▮▮▮▮▮, Robert Kondrk ▮▮▮▮▮▮▮, Jeff Robbin ▮▮▮▮▮▮▮▮, Alex Roman ▮▮▮▮▮▮▮▮▮▮▮▮▮, Carson Oliver ▮▮▮▮▮▮▮▮▮, Kunnal Vij ▮▮▮▮▮▮▮▮, Monika Gromek ▮▮▮▮▮▮▮▮▮▮▮▮, Nate Barton ▮▮▮▮▮▮▮▮, Tanya Washburn ▮▮▮▮▮▮▮▮, Ann Thai ▮▮▮▮▮▮▮▮▮▮▮▮, Eric Gray ▮▮▮▮▮▮▮, Kyle Andeer ▮▮▮▮▮▮▮▮, Heather Grenier ▮▮▮▮▮▮▮▮, Ling Yang Lew ▮▮▮▮▮▮▮▮▮▮▮, Jen Brown ▮▮▮▮▮▮▮▮▮, Cynthia Richman ▮▮▮▮▮▮▮▮▮▮, Mark Perry ▮▮▮▮▮▮▮▮

Privileged & Confidential
Prepared at the Request of External Counsel

Phil, Joz, Craig, Eddy, Kate,

Thank you for your feedback over the weekend and during this morning's meeting. The team has incorporated your collective feedback into a new version of the deck, which is attached below for your review. We will use this in tomorrow's review with Tim at 1pm.

Please let us know if you have any additional comments in the meantime.

Thanks — Sean

> 2023.06.19
> Wiscon ...tial.key
> 55.4 MB

On Jun 16, 2023, at 5:42 PM, Phil Schiller ▮▮▮▮▮▮▮▮▮▮ wrote:

Privileged and Confidential
Attorney Work Product

Thanks for sharing this draft presentation

Here are my notes (clearly I am not on team commission/fee, so no surprises here)
- Slide 4, this illustration is not correct for option 1, we do not propose allowing links on IAP buy flow pages
- Slide 21: option 2A is a 27% commission for 24 hours. I have already explained my many issues with the commission concept so I won't repeat them here. Also, is there a 12% commission on a small business developer transaction? Otherwise this is an increase in commission level for 95% of developers. I don't see programs mentioned.
- Slide 25: the last note about collections isn't a "risk", it is a certainty, we won't get much of this back
- Slide 26: option 2B is a $15 fee per link, are we crazy? A fee doesn't scale fairly with developer revenues like a commission does. Apps with small transaction amounts get screwed. This is based on an average of all developers, clearly it will not be even break even for many developers, they will actually lose money (in effect a greater than 100% commission for many developers, not smart)
- Slide 30: there is a non-collection certainly here as well
- Slide 31: option 2C is a 20% commission on a full year of transactions. This seems really crazy to me as well. We are going to collect on transactions made directly on developers' websites for a year? And how does this work with the small business program, is it 10% for them?
- Slide 35: again, the last note about collections isn't a "risk", it is a certainty, we won't get much of this back

>> On Jun 16, 2023, at 7:09 PM, Sean Cameron ▮▮▮▮▮▮▮▮▮▮▮▮▮ wrote:
>>
>> Privileged & Confidential
>> Prepared at the Request of External Counsel
>>
>> Phil, Joz, Craig, Eddy, Kate,
>>
>> As discussed in our prior meeting, there are multiple Epic injunction compliance options under consideration.   The cross-functional team needs directional guidance early next week in order to comply with the July 5th deadline.   We have a 30-minute review with Tim on Tuesday at 1pm to discuss a no commission option and several proposals for a commission option.   The objective of the meeting is to get a decision on whether to pursue a commission so the team can do the necessary work to go live in two weeks' time.

The attached deck has complete details on design, financial modeling, and risk/benefit analysis for the commission and no commission options. We intend to review it with Tim on Tuesday.   Please let us know if there is any feedback to the deck or proposed messaging at your earliest convenience so we can incorporate.

Thanks — Sean

<2023.06.16 CLEAN - Wisconsin - Team Commission - Privileged & Confidential.key>

Control Number	APL-EG_11572861
Group Identifier	APL-EG_11572859
P/C	
FamilyStatus	
AllCustodians	Oliver, Carson
Email From	
Email To	
Email CC	
Email BCC	
DateSent	
TimeSent	
DateLastModified	
TimeLastModified	
DateCreated	
Email Subject	
Title	
Filename	2023.06.19 Wisconsin - Team Commission - Privileged & Confidential.key
Application	
Confidentiality_Rcvd	HighlyConfidential
Production Vol.	APL-EG_111

Epic Injunction Implementation Proposal

June 2023
Privileged and Confidential – Prepared at the Request of Outside Counsel

[Sean]

Epic injunction compliance

1. Apple Inc. and its officers, agents, servants, employees, and any person in active concert or participation with them ("Apple"), are hereby permanently restrained and enjoined from prohibiting developers from (i) including in their apps and their metadata buttons, external links, or other calls to action that direct customers to purchasing mechanisms, in addition to In-App Purchasing and (ii) communicating with customers through points of contact obtained voluntarily from customers through account registration within the app.

2. Any party may seek modification of this Order, at any time, by written motion and for good cause based on changed circumstances or otherwise.

3. The Court will retain jurisdiction over the enforcement and amendment of the injunction. If any part of this Order is violated by any party named herein or any other person, plaintiff may, by motion with notice to the attorneys for defendant, apply for sanctions or other relief that may be appropriate.

4. This injunction will take effect in ninety (90) days.

Current minimum deadline: **July 5th**

For discussion only

Privileged and Confidential – Prepared at the Request of Outside Counsel

[Sean]

CX-0224.5

Compliance options

		Option 1: No Fee	Option 2: Fee
Different Approach	Fee	None	Commission or flat fee
	Style	Plain link or button	Developer-styled link or button
	Placement	Once per page; Not on same page as Apple IAP buy flow	Once per page
Same Approach	Language	Specific pricing; Template only	Specific pricing; Template only
	Discouragement	May not discourage or mimic IAP	May not discourage or mimic IAP

For discussion only

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson]

• We've identified 2 options we could pursue that are defined by whether or not we charge a fee: option 1 is no fee for linking out, option 2 is to charge a fee for linking out. The key focus in all of these options is the fee, which we believe this will heavily influence developer decisioning about directing users out of the app to buy.
• In both cases, many things are the same:
    • In both cases, the court has decided that Apple has a right to continue requiring IAP for digital goods & services, so IAP would remain required.
    • We would follow the Reader Entitlement policy, and allow a single URL that's owned/controlled by the developer per app, that resolves to an external browser (no web view).
    • And Apple would provide a range of UI styling and acceptable language for developers to choose from, and developers cannot discourage or mimic IAP.
• The two options also diverge when it comes to the placement and style of the link, which we'll cover later. [Details on relationship between the commission and the buy flow][
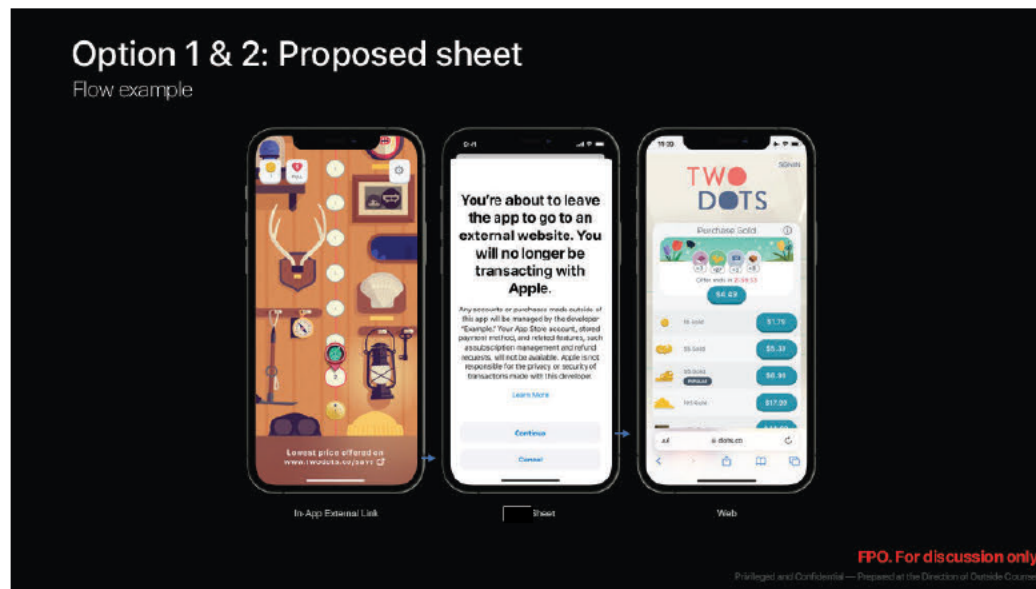
[Sean]

Here's an example of the UI flow once a customer clicks on a link out button.

It takes a customer to an informational interstitial sheet warning them they are leaving the app and going to the web.

CX-0224.7

[Carson]
Developers would be able to use from a list templates for their language, while inputing the appropriate price, price comparison and URL.
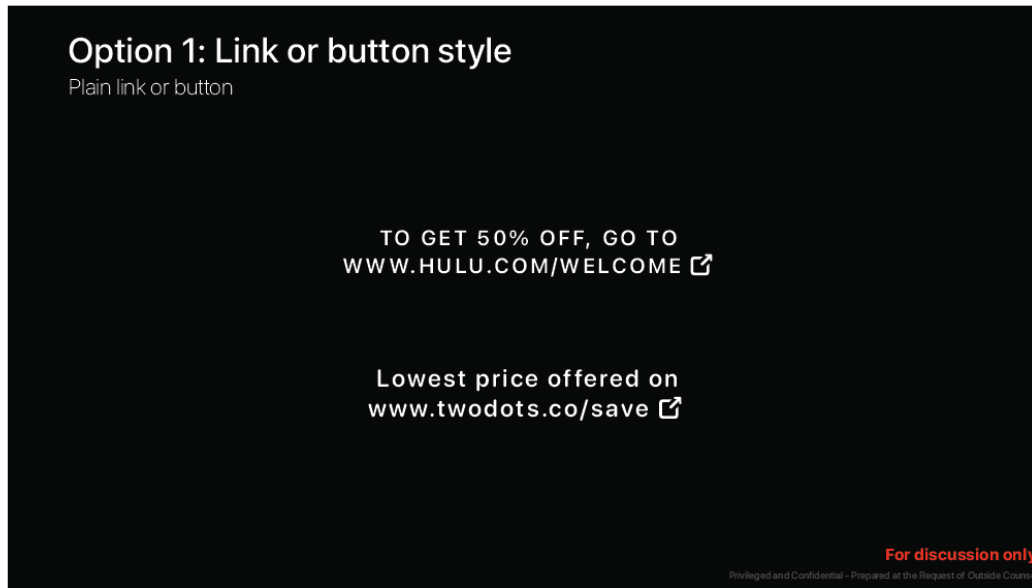
[Sean]
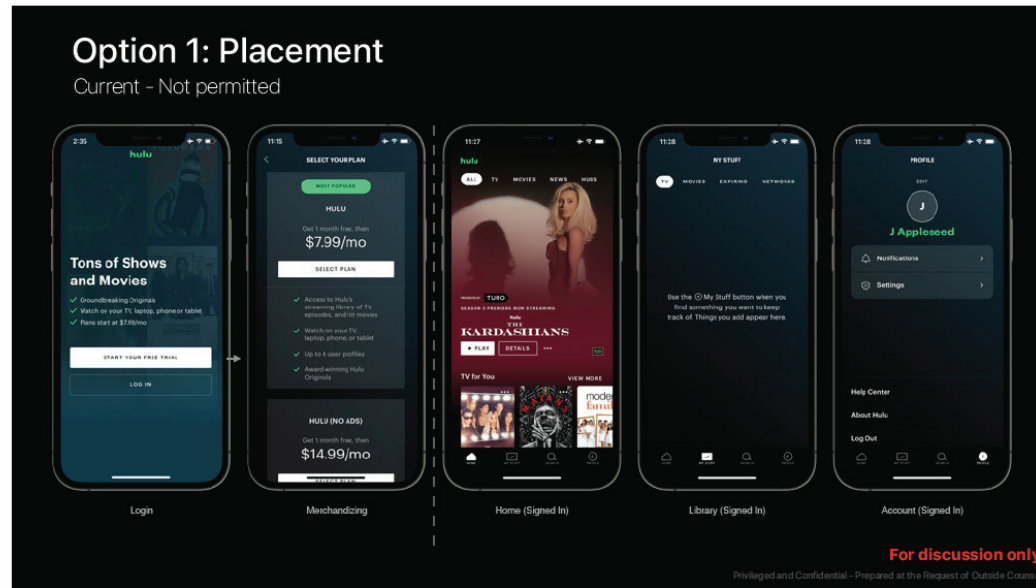In the "no fee" option, the style, placement, and fee would diverge from the fee-breaking option.

[Sean]
For option 1 here are examples of the language, link, and generic button that would be allowed.

[Carson]
Here's an example of a streaming app currently available on store today. Link outs aren't currently allowed in both the logged out (on the left) and logged in (on the right) states, and on any of the screens.
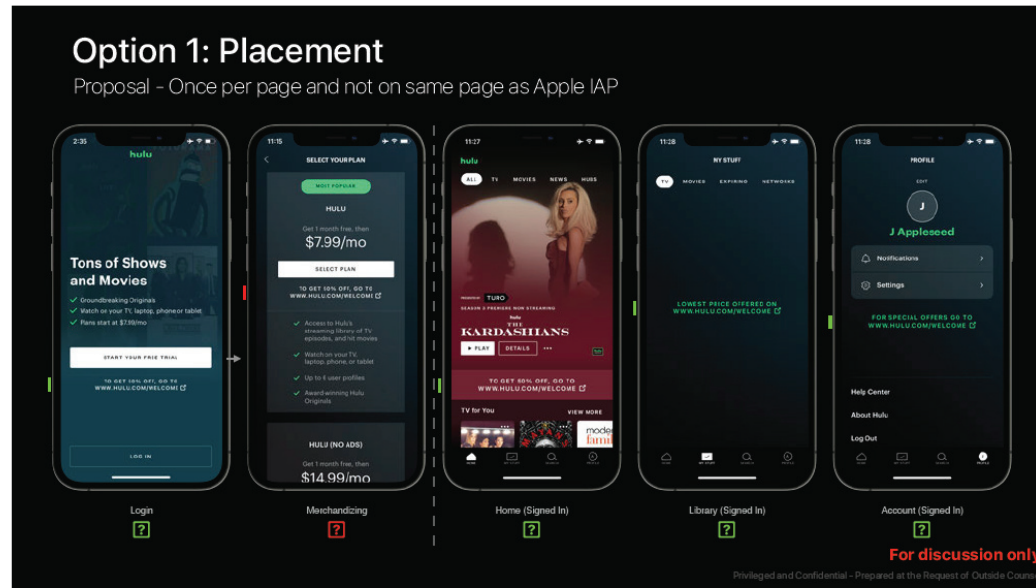
[Carson]

In option 1, if we don't charge a fee, a developer could display one link per page, excluding if the page is part of the purchase flow, like the second screen here.
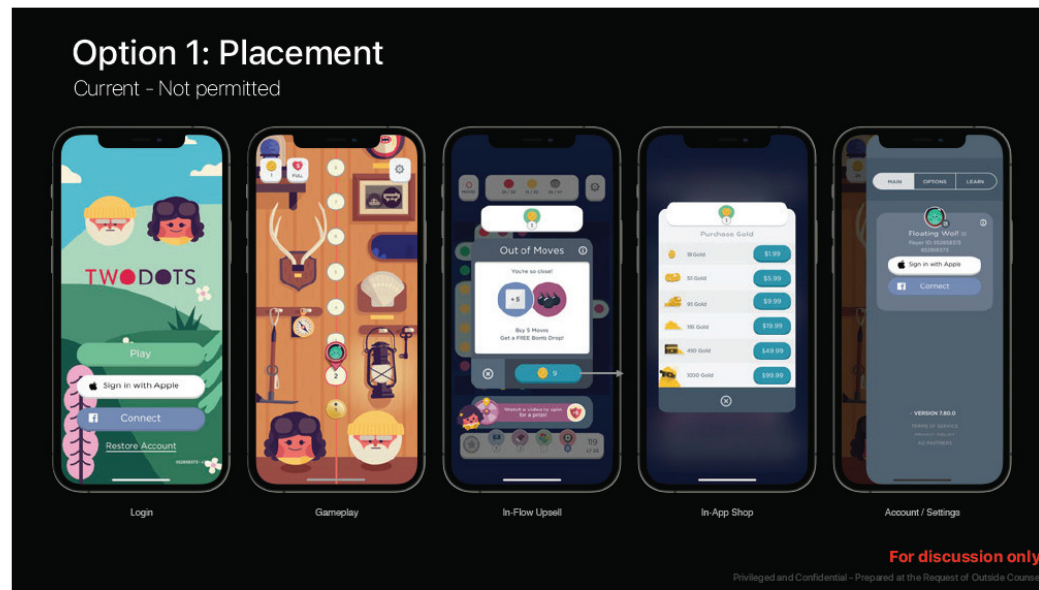
[Carson]
Here's a game example where there is an upsell flow before the in-app shop.

[Carson]
Developers would not be able to display the URL on these screens because it's in the middle of the "buy flow".

Now Kunnal will take us through the financials.

Option 1: Steady state revenue impact
No fee for linking out

Revenue Loss
% US Rev

Linkout Share

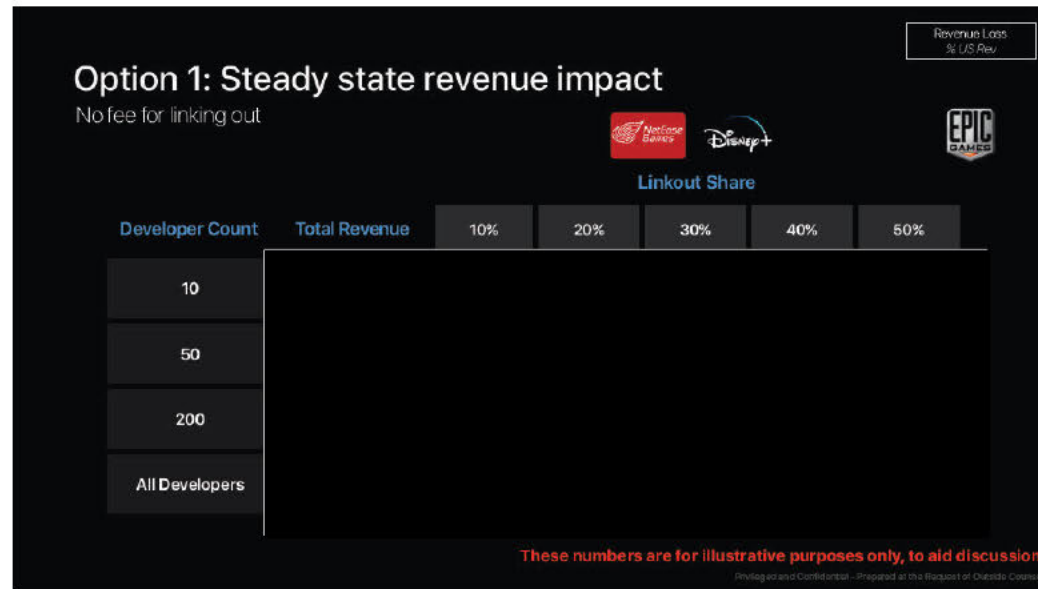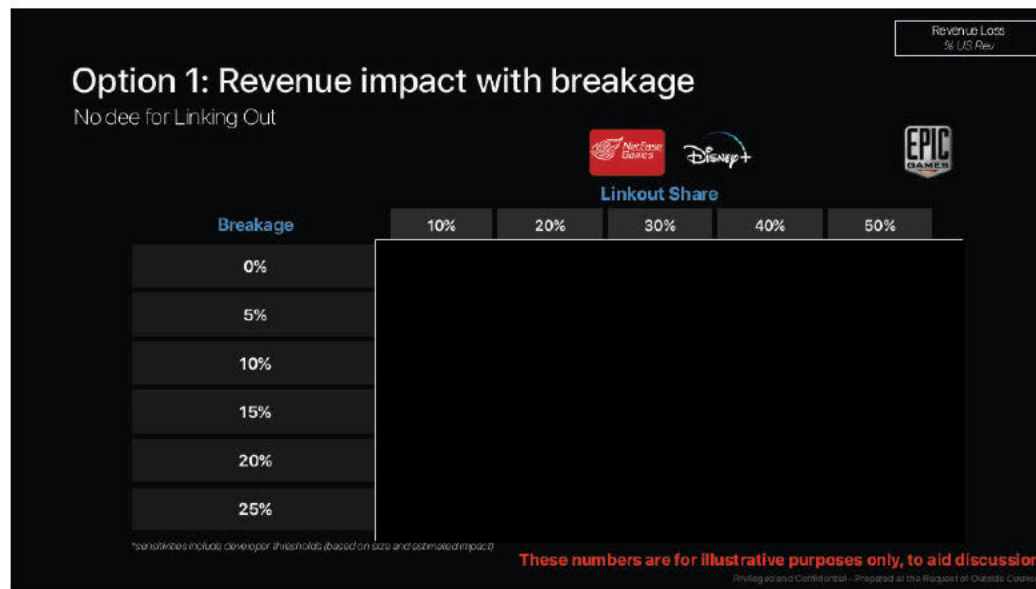| Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal]
These are the slides Alex and I presented to you last time we met on this topic. This was a general sensitivity chart that showed what the revenue impact would be simply based on count of developers adopting the link out and share of revenue shifting to linking out.

We know it's very likely that when a link-out happens, there will be some breakage, meaning customer dropping off during the buy-flow process due to a less seamless experience compared to Apple's iAP, and so we wanted to show you another view that takes this factor into account.

Option 1: Revenue impact with breakage

No dee for Linking Out

Breakage	Linkout Share				
	10%	20%	30%	40%	50%
0%					
5%					
10%					
15%					
20%					
25%					

*sensitivities include developer thresholds (based on size and estimated impact)

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

We have run various sensitivities through our developer economic decisioning model to forecast whether or not a developer will adopt linking out.

On the rows, this accounts for the revenue impact if breakage is 0% and all the way up to 25%. Beyond 25%, developers reach a tipping point where they lose more on linking out than they would make sticking with Apple iAP and the higher commission.

For the share of billings linking-out, we are showing sensitivities from 10% to 50%, which will depend where is the text and the language developers are allowed to use. We don't have great data points on what this will end up being, but we have a situations we've encountered to point to:

The range of impact on the low end with 25% breakage and 10% billings shift (bottom left corner) is more negligible at ███████ However on the other end with 0% breakage and 50% billings shift (top right corner), it's closer to ████ of U.S. revenue that Apple would lose. A more middle ground scenario of 10% breakage and 30% billings shift would result in ████ of revenue loss, nearly ███ of our U.S. App Store revenue.

Next, XX will recap the pros and cons of Option 1 with not charging a commission.

CX-0224.16

Option 1: Considerations
No fee for linking out

Benefits

Attorney-Client Privilege

- Avoids new challenge on applying commission to web sales

- Avoids challenges of collecting commission on web sales

- Maintains integrity of in-app purchase option

Risks

- Meaningful financial risk due to new in-app channel for developers without commission

- Increases volume and complexity of enforcement by App Review

Attorney-Client Privilege

- Diverges from alt payments approach to date; could spread to other markets

For discussion only
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson]
- Looking at the benefits of this approach:

Attorney-Client Privilege

- It avoid the risks of measuring and collecting commissions on web sales
- And it maintains the integrity of in-app purchase by not allowing alternative links on the same page as IAP
- However, this approach does have some significant risks
  - It creates the greatest risk of revenue loss
  - It requires App Review to take on a new enforcement burden to ensure that links out are not placed in the buy flow, Attorney-Client P
  ## Attorney-Client Privilege
  - It also diverges from our approach other markets, including Korea and the Netherlands, as well as our planned approach under the DMA, which means that it could spread to other markets, notably Europe
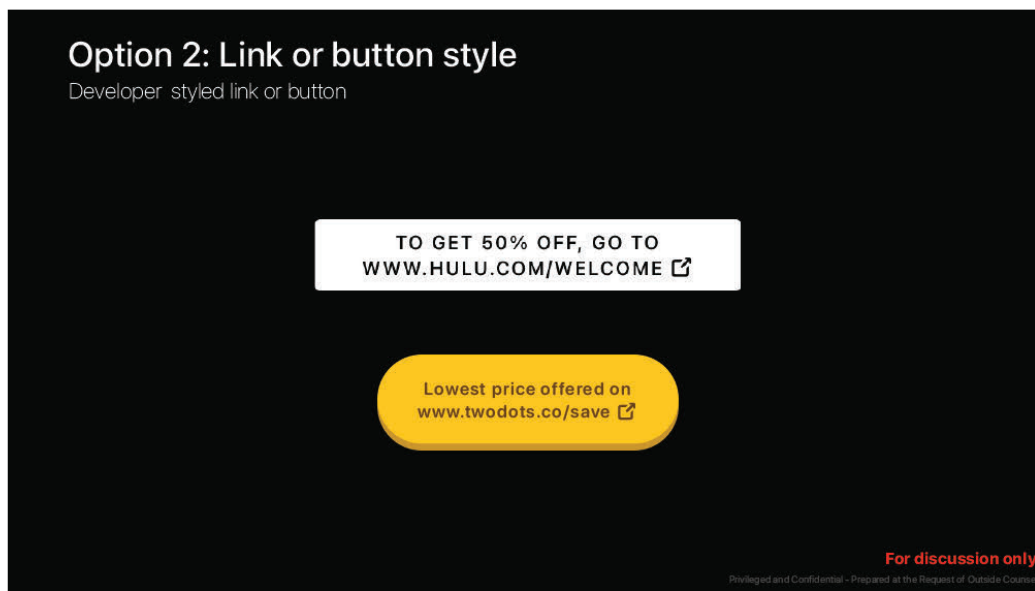
CX-0224.17

Option 2: Fee

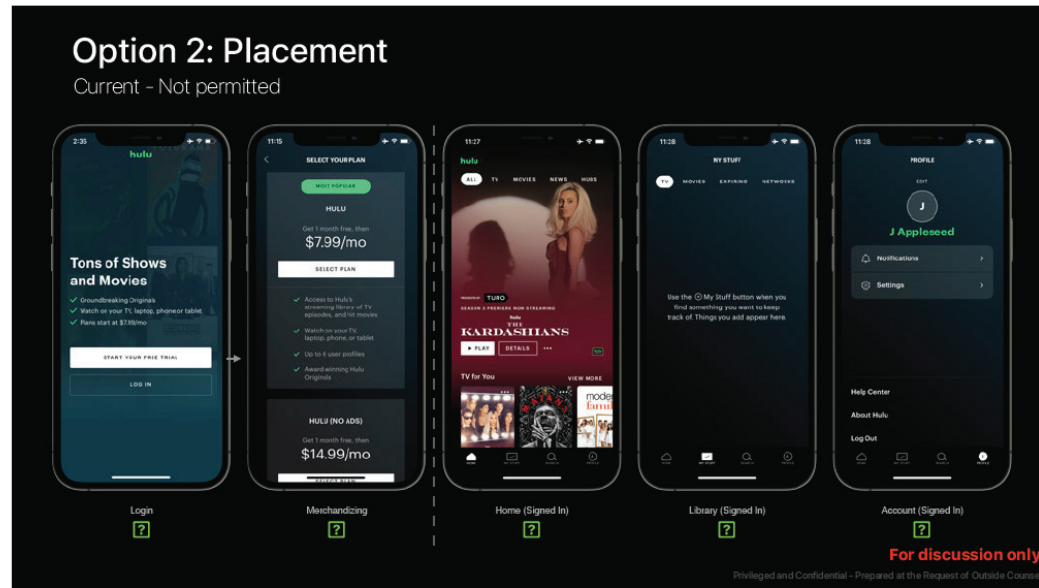|	
Fee	Commission or flat fee
Style	Developer-styled link or button
Placement	Once per page
Language	Specific pricing; Template only
Discouragement	May not discourage or mimic IAP

For discussion only
Privileged and Confidential – Prepared at the Request of Outside Counsel
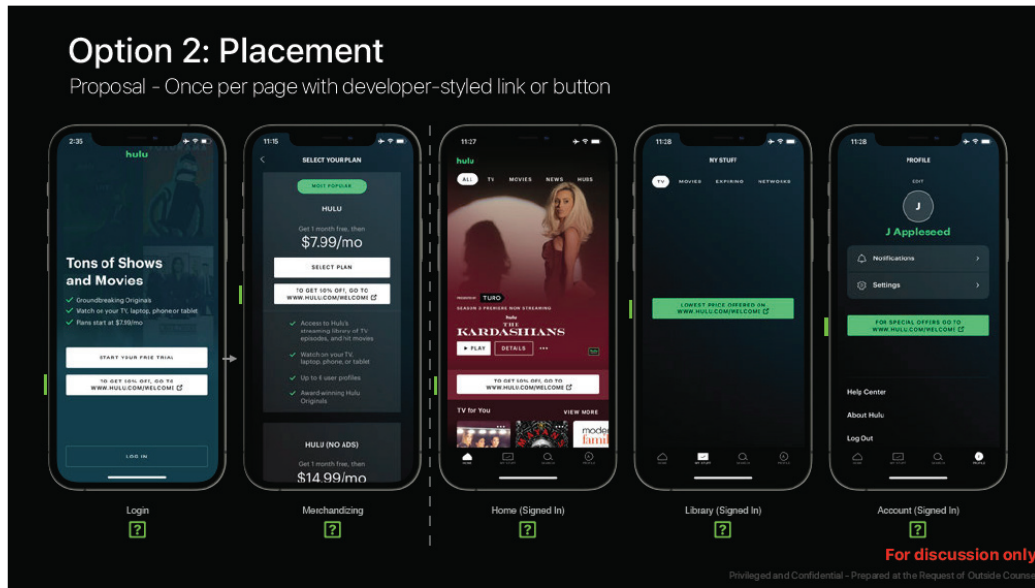
[Sean]

CX-0224.18

[Sean]

[Ann]
Here are examples screens where links may be placed if we go with option 2. Since we are charging a commission, the link could be placed once per page, including alongside IAP.

[Ann]
Here is the example with link outs added. You can see them merchandized just below the "Start Your Free Trial" on screen 1, on the merchandizing sheet, and account pages.
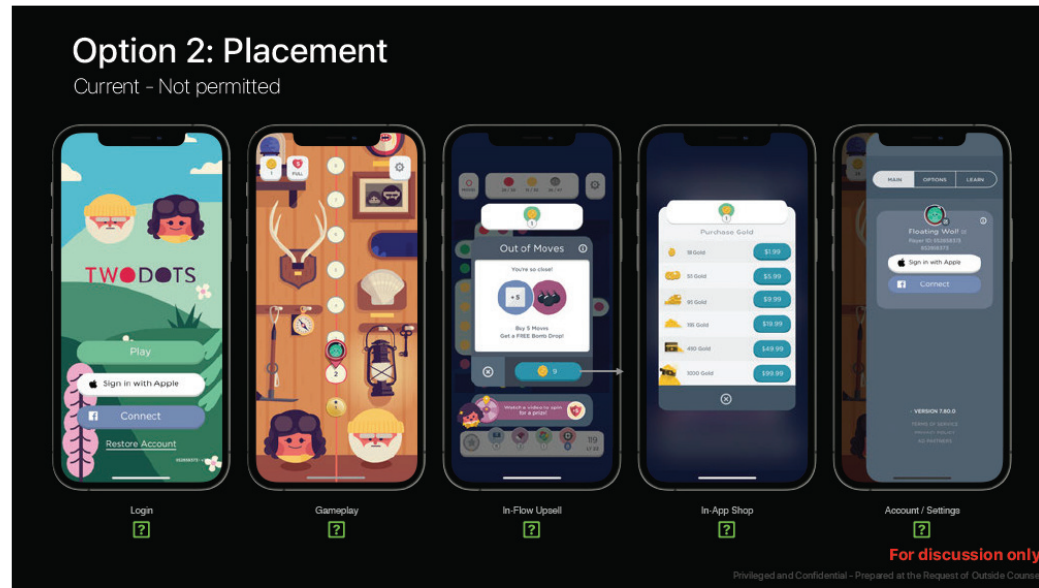
[Ann]
Showing here again where the link outs would be allowed in option 2 in the Two Dots game example

[Ann]
And here's the Two Dots UI with the example link out buttons added on each page.

Current Approach to Alternative Payments

Korea: Standard commission less cost of payments (-4%) for in-app alternative payments

Netherlands: Standard commission less cost of payments (-3%) for in-app alternative payments and linking out

Europe (planned): Reduced commission for in-app alternative payments and linking out

For discussion only

Privileged and Confidential – Prepared at the Request of Outside Counsel
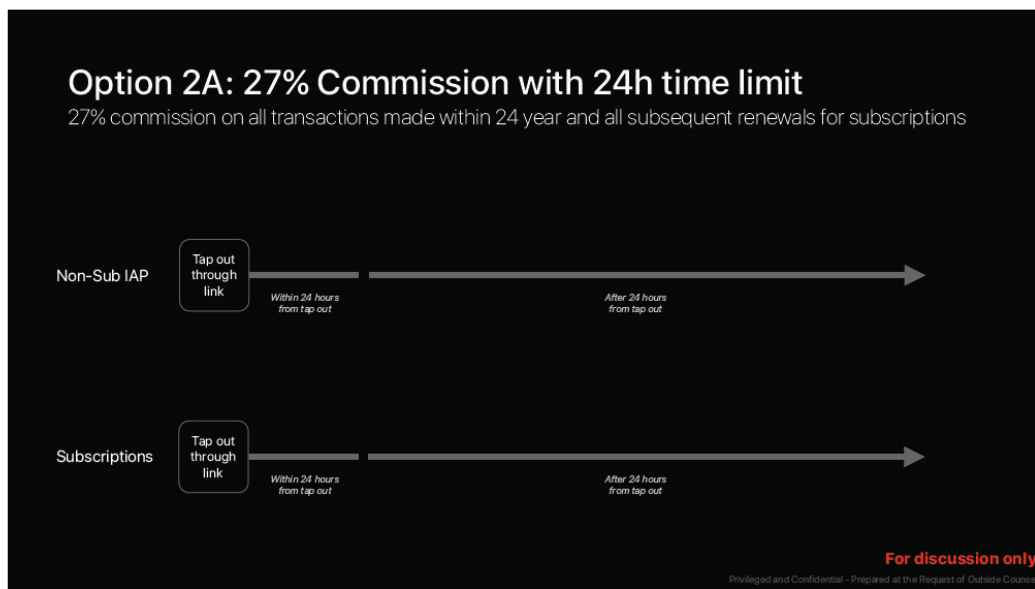
[Carson]

Fee Options

A. 27% Commission with a 24-Hour Time Limit

B. 20% Commission for First Year

For discussion only

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson]
- We have 2 proposed fee options:
  - A 27% commission on linking out for the subsequent 24 hours
  - And a 20% commission on linking out for the first year

[Kunnal]
- Under option 2A [CLICK]...
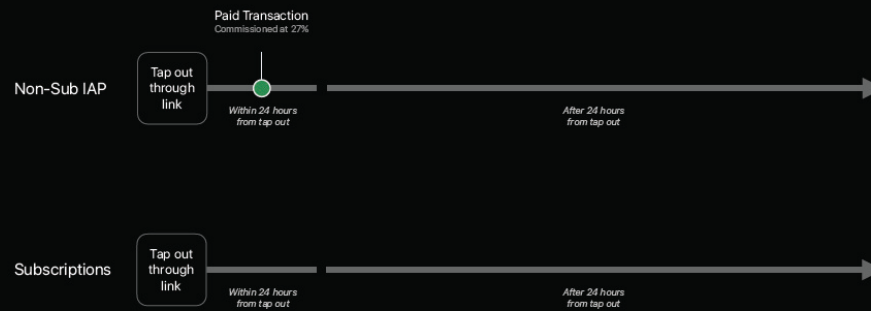- The any paid transaction within the first 24 hours would be subject to the commission [CLICK]
- All subsequent paid transactions through the web would not be commissioned, assuming the customer doesn't click out again [CLICK]
- For subscriptions, any free trials initiated during the 24 hour window from link out would have the next subsequent paid renewal commissioned at 27%

[Kunnal]

Option 2A: Steady state revenue impact
Illustrative sensitivities for 200 developers and returning customers

Revenue Loss
% US Rev

Linkout Share

Key Assumptions / Sensitivities

Returning Customers	10%	20%	30%	40%	50%
0%					
25%					
50%					
100%					

- Assumes efficient implementation by developers to limit the tap through to be margin positive vs Apple IAP
- Link-out billings not eligible for program discounts
- 30% collection risk factored into sensitivities for illustration purposes

These numbers are for illustrative purposes only, to aid discussion
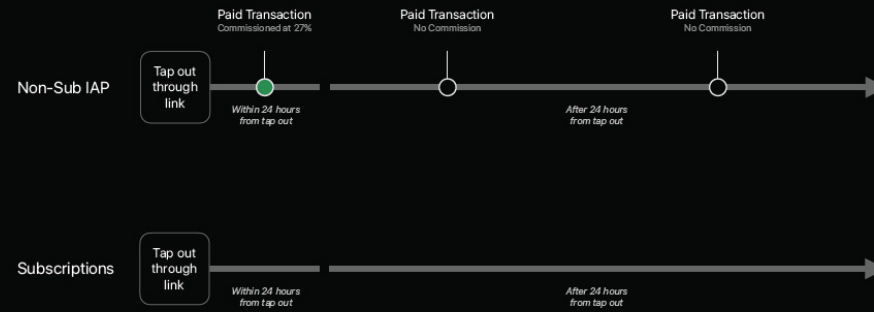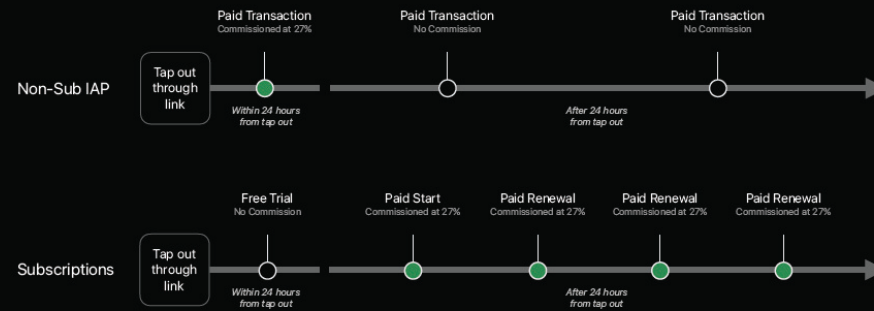
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal]

Option 2A V2:
3% Commission with 24h time limit including program discounts

For discussion only
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal] or [Carson]

[Kunnal]
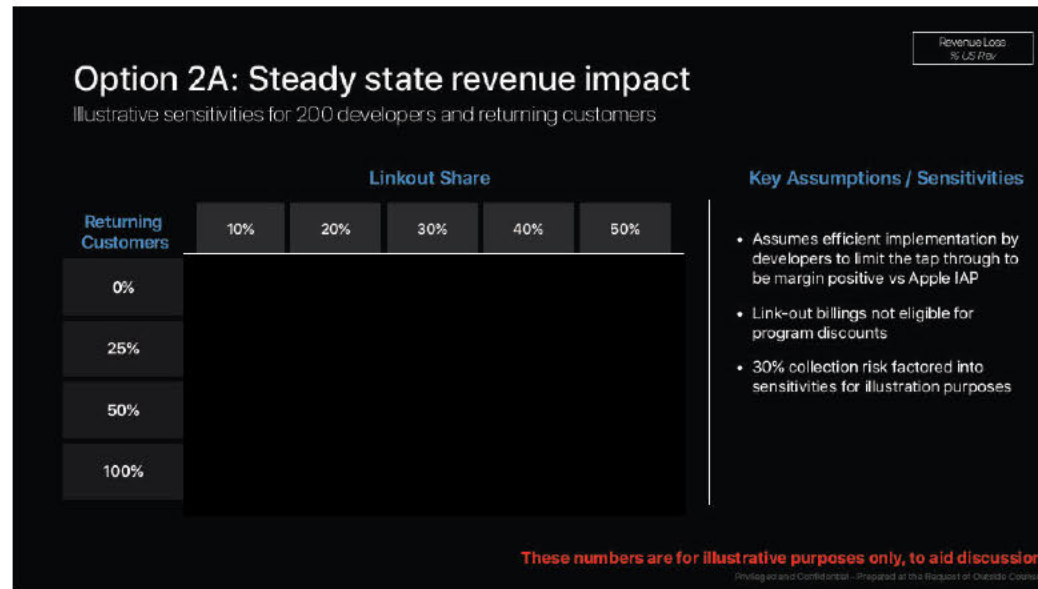
[Kunnal]

[Carson]
- This approach is reasonable because we're charging developers for a limited time period on transactions initiated directly from the app. This means that developers who are able to retain customers through their direct channels after the first 24 hours will keep 100% of the customer's spend. As a result, we estimate that the effective Y1 commission rate for a customer who links out will only be 5%.
- We believe using our standard commission rate, discounted by cost of payments in the US, is reasonable because developers are still benefiting from the vast majority of Apple's tools, technologies and services, with the exception of payment processing.
- One final note, both the structure and pricing of this approach also aligns with affiliate programs for digital goods and services in the market. For example, Apple Music's own affiliate model pays out 100% of the first month's paid billings for each new subscriber acquired through affiliate partners.

Option 2A: Considerations
27% Commission on transactions made within 24h after customer links out

Benefits	Risks
• Reduces financial risk versus no-fee option	Attorney-Client Privilege
• Provides more margin opportunity for developers compared to standard IAP commission, Attorney-Client Privilege	• Developers may claim that a small discount on initial transaction does not allow for price competition
• Aligns with commission discount for planned alt payments approach	• Diverges from planned alt payments approach due to time duration
	• Significant collection risk if linking out adoption scales

For discussion only
Privileged and Confidential – Prepared at the Request of Outside Counsel

[Carson]
• In terms of the benefits of this approach…
  • It meaningfully reduces the financial risk versus the no-fee option
  • It provides much more margin opportunity for developers relative to the standard IAP commission model, which should allow for reasonable price competition from developers, as expected by the court
  • It also aligns with the commission discount approach we've using in Korea and the Netherlands, and plan on applying under the DMA
• In terms of risks…

Attorney-Client Privilege

• Developers are likely to claim that the 3% discount for cost of payments does not allow for price competitive versus IAP
• This diverges from the alternative payments approach under the DMA because of the time duration
• And there is significant collection risk if this approach is widely adopted

[Kunnal]
- Under the third fee option (2C), we would charge developers a significantly reduced commission of 20% on any paid transactions for one-year after the link out [CLICK]
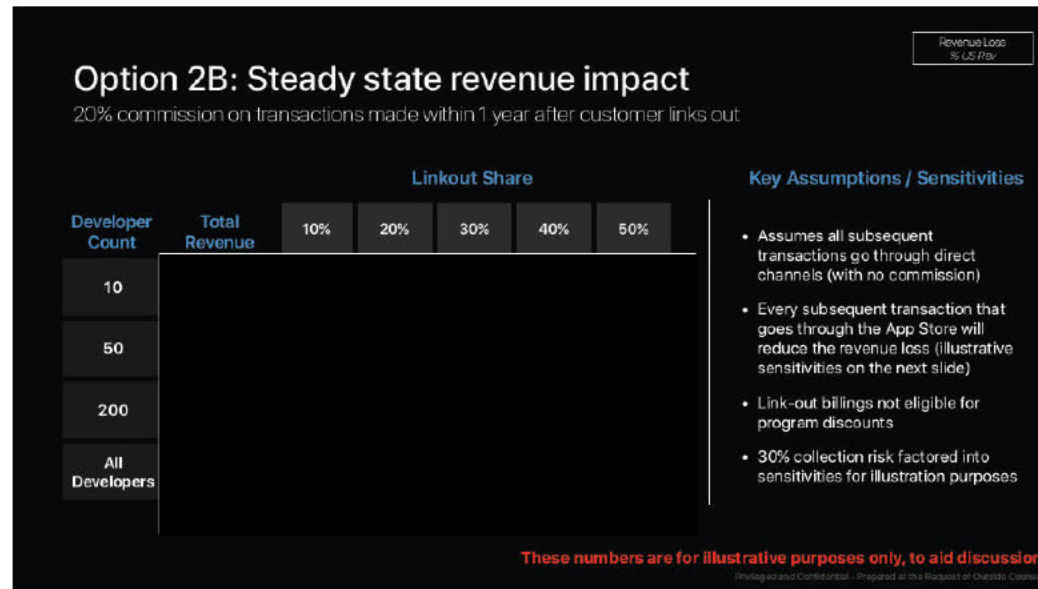
[Kunnal]
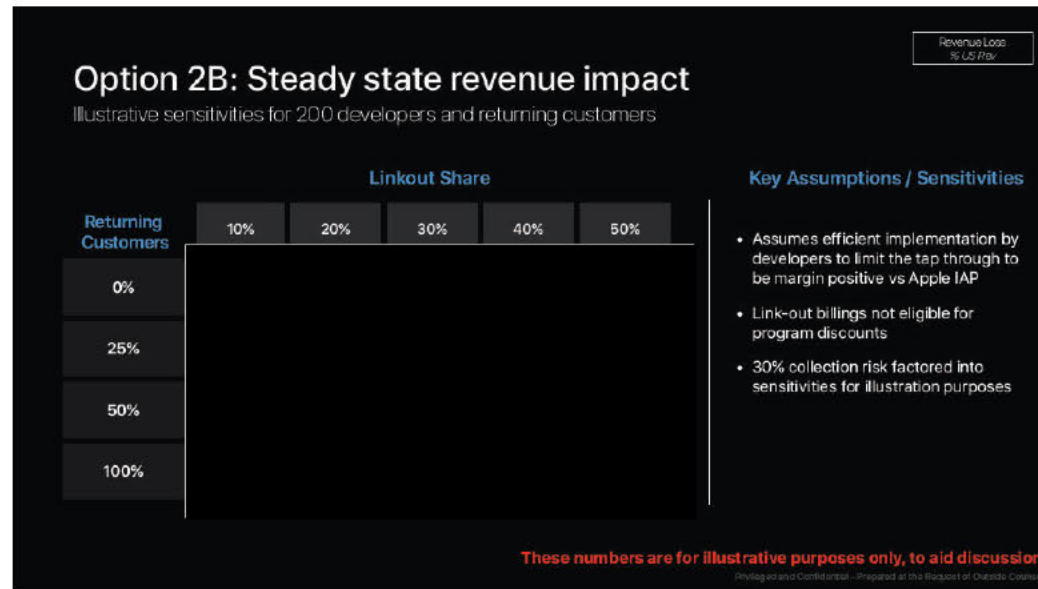
[Kunnal]

Option 2C V2:
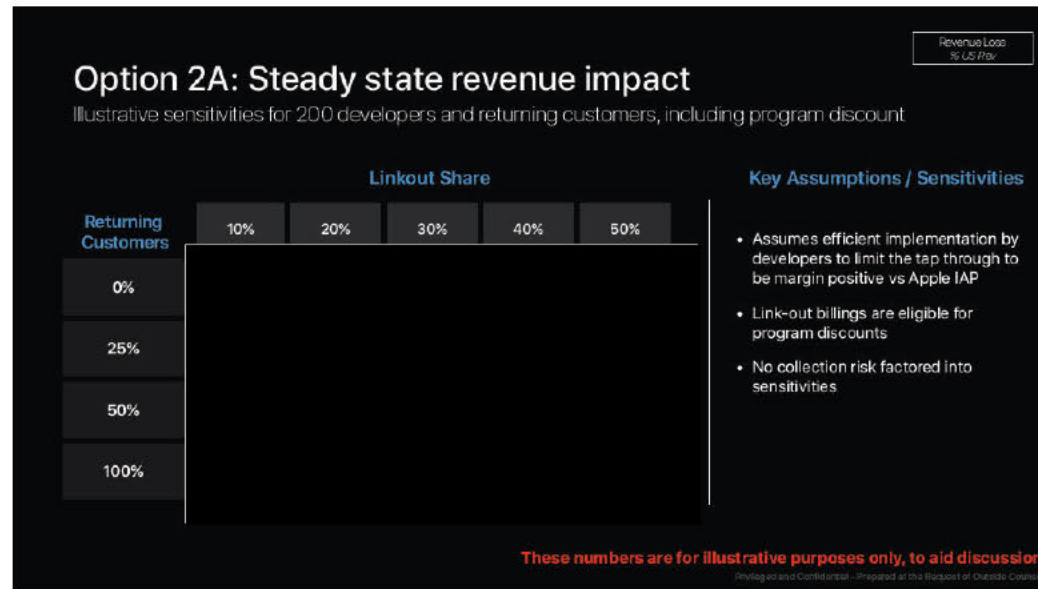20% / 10% commission on transactions made within 1 year after customer links out

For discussion only
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal] or [Carson]

[Kunnal]

Option 2A: Steady state revenue impact
Illustrative sensitivities for 200 developers and returning customers, including program discount

Linkout Share

Key Assumptions / Sensitivities

Returning Customers	10%	20%	30%	40%	50%
0%					
25%					
50%					
100%					

- Assumes efficient implementation by developers to limit the tap through to be margin positive vs Apple IAP
- Link-out billings are eligible for program discounts
- No collection risk factored into sensitivities

Revenue Loss % US Rev

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal]

Option 2B: Proposed justification for commission
20% commission on transactions made within 1 year after customer links out

- We are reducing our standard commission by 1/3 for transactions initiated out of the app, which is fair and defensible. Developers are still benefitting from the vast majority of Apple's tools, technologies, and services, minus cost of payments.
- Developers who retain customers through direct channels after linking out will keep 100% of customer billings after the first year. We estimate the average effective rate over the first 2 years for a customer who link outs to be 10% in this model.
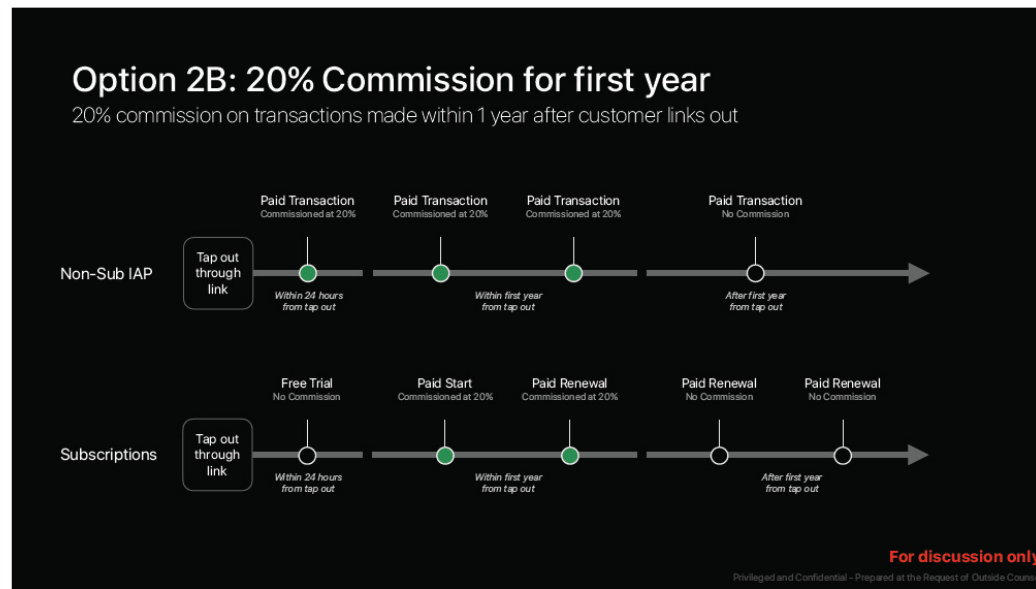
For discussion only
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson]
- We believe this approach is fair and defensible because we're significantly reducing our standard commission for transactions initiated from in the app. Developers will still benefit from the vast majority of Apple's tools, technologies and services, with the exception of payment processing, but will pay 1/3 less than the standard commission.
- Furthermore, developers who are able to retain customers through there direct channels after the first year will keep 100% of the customer's spend. As a result, the effective Y2 commission rate for a customer who links out will only be 10%.

[Carson]
- In terms of the benefits of this approach...
  - It reduces the financial risk versus the no-fee option, and the other fee options
  - It provides long-term margin opportunity for developers relative to the standard IAP commission model, ^{Attorney-Client Privilege}

  Attorney-Client Privilege

  Attorney-Client Privilege

- In terms of risks...

  Attorney-Client Privilege

  - Developers may also claim that, despite the large discount versus the standard commission, the longer duration of the commission does not allow for meaningful price competition
  - This approach also diverges from the alternative payments approach under the DMA due to the larger discount, and risks being copied in other markets
  - And there is significant collection risk if this approach is widely adopted

Affiliate Program Comparables

Selection of Affiliate Program Comparables
Public program terms only; fees to large partners are negotiated with higher compensation

	Category	Event	Purchase Cadence	Affiliate Fee	Effective Commission
Apple Music	Media	Sale or Trial	Subscription	$10	90% - 100%
Amazon Subscriptions (Prime, Video, Music)	Media	Registration	Subscription	$3	20% - 50%
Hulu	Media	Sale	Subscription	$6	40%
Disney+	Media	Sale	Subscription	Up to $11	Up to 100%
ESPN	Media	Sale	Subscription	$10	Up to 100%
Peacock	Media	Sale	Subscription	$12	120%
Microsoft Office	Productivity	Sale	Subscription	$5 to $20	100%
Adobe Cloud	Productivity	Sale	Subscription		85%
Canva	Productivity	Sale	Subscription	Up to $36	>200%
Intuit	Productivity	Sale	One-time buy		15%
AllTrails	Health & Fitness	Sale	Subscription		15%
Amazon Games (1P games only)	Games	Sale	One-time buy		20%
GameFly (game rental service)	Games	Registration	Subscription	$5 - $20	30% - 100%
GameFly (game purchase service)	Games	Sale	One-time buy		10%
Wargaming	Games	Registration	Free to play	up to $17	up to 30%

For discussion only

*Note: Effective commission based on estimates of M1 LTVs

Privileged and Confidential - Prepared at the Request of Outside Counsel

Affiliate programs tend to be used similarly to display advertising (e.g. low-effort marketing channel to harvest low-quality demand from longtail organic internet traffic). This explains the delta between affiliate fees and commission rates, as the fees price in the impacts of low quality traffic.

Many of these programs aren't even run directly by the developer themselves and are farmed out to a vendor (e.g. partnerize, flex offers, partnercentric)

One-time buy commissions (e.g. against LTV) range from 10-20%)

Large brands are likely to have lower need for affiliate partners, and therefore offer lower pricing. This explains differences between Disney and Peacock, and MSFT vs Canva

Judgment Langauge

Apple Confidential-Internal Use Only

Attorney-Client Privilege

Attorney-Client Privilege

Attorney-Client Privilege

Designs

Apple Confidential-Internal Use Only
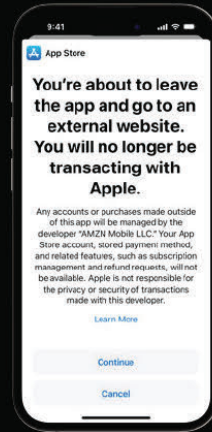
CX-0224.53
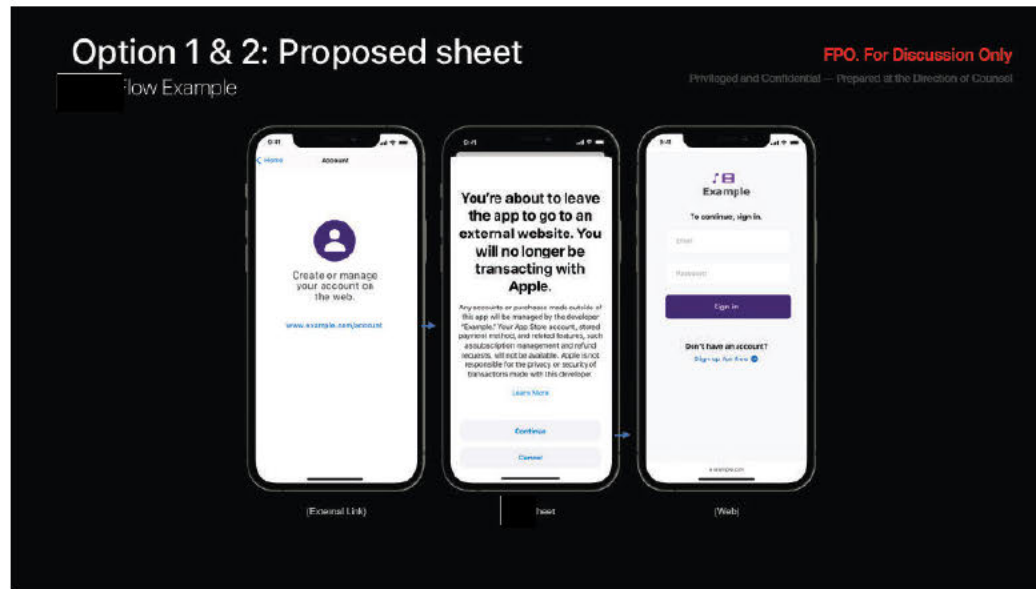
Financials

Apple Confidential–Internal Use Only
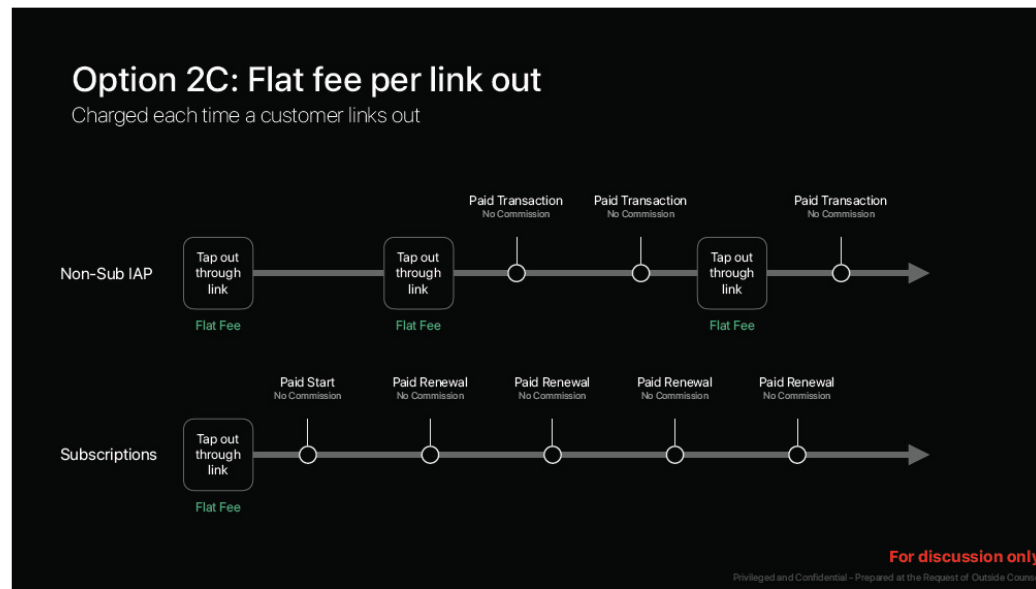
[Kunnal]
- Under the second fee option (2B), we would charge developers a flat fee each time a customer links out, independent of the transaction behavior on the link subsequent to the link

Option 2C: Flat fee per link out
Based on average month 1 customer spend (LTV)

Average Month 1 LTV for In-App Payers through App Store
(FY18-FY22 by Cohort)

Proposed Fee Calculation

$40

$33

$25

$18

$10

August 2018   August 2019   September 2020   September 2021   September 2022

These numbers are for illustrative purposes only, to aid discussion

*Note: Est. Purchase Completion Rate based on Apple's IAP purchase flow

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal]

[Kunnal]

Option 2C: Proposed justification for commission
Flat fee charged each time a customer links out

- By allowing linking out, the App Store is functioning as an affiliate channel that facilitates customer app discovery and demand capture while resolving to out-of-app direct payment options

- Our flat fee per tap-through is fair and defensible:

  - This structure aligns with affiliate pricing structures in the market

  - Flat fee is based on average in-app customer spend, and discounted based on estimated likelihood of converting to a paid transaction

  - While flat fee may appear high, the effective rate drops quickly for developers who are able to retain customers on non-Apple channels. We estimate the average effective rate over the first year for a customer who links out to be 16% in this model.

For discussion only
Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson/Timo]
- This approach is reasonable because, in this model, the App Store is functioning like an affiliate channel. We're supporting the customer discovery and download through the App Store, but allowing developers to resolve to out-of-app direct payment options that avoid our standard business model.
- A flat fee model is common in affiliate programs, including programs from Apple Music, Microsoft 365, and Disney+.
- Those models are based on initial paid transactions, and to approximate that approach we use the average in-app customer spend for the App Store and discount that spend based on our best estimates of converting to a paid transaction.
- Lastly, while a $15 flat fee may appear high, the effective rate drops quickly for developers who are able to retain customers on non-Apple channels. We estimate the average effective rate over the first year for a customer who links out to be 16% in this model.

Option 2C: Considerations
Flat fee charged each time a customer links out

Benefits

- Reduces financial risk versus no-fee option

- No calculation risk as Apple has full visibility into link out data

- No need for data sharing or audit rights between developers and Apple

Attorney-Client Privilege

Risks

- Optics risk as the flat fee may exceed single transaction ASP for many apps

Attorney-Client Privilege

- Pricing risk as this option will be very attractive to high-LTV apps and games

- If adopted in EU, may be seen as non-compliant with DMA mandate to allow devs to promote offers free of charge

For discussion only

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Carson/Timo]
- In terms of the benefits of this approach...
  - It meaningfully reduces the financial risk versus the no-fee option
  - It removes the calculation risk compared to the commission-based approach, as we will have full visibility into link out data, and it helps to avoid data sharing and audit right between developers and Apple

Attorney-Client Privilege

- In terms of risks...
  - Given the flat fee, the fee may exceed the average sales price for the initial transaction for many apps, Attorney-Client Privilege

Attorney-Client Privilege

- Also, by using a single flat fee, some high LTV apps and games will likely find this approach very positive
- Finally, if this approach is adopted in the EU, we may run into an issue complying with the DMA manate to allow developers to promote offers "free of charge" in their apps

Steady State Revenue Impact

Discounted Commission (~3%) on IAP Transactions and Subscriptions

Revenue Loss % US Rev

Linkout Share

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

These numbers are for illustrative purposes only, to aid discussion

Note: Non IAP commission will have a further impact on Apples revenue depending on the collection rate

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Nate]

If we decided and had the ability to charge and enforce a commission, we believe there would be very little developer adoption of link-out, assuming a scenario where we would give a cost of payments discount at 3%.

We ran the commission option through our developer decisioning model as well but this will likely not make economic sense for the vast majority of developers with the 3% discount in the near term given that's roughly equivalent to cost of payments. However we know there are other elements that will matter to developers like customer relationship and developers ability to monetize in others way they don't today with a transaction going through linking-out, hence we did a sensitivity.....

We believe based on low developer count adoption and low billings share (top left corner), the revenue impact would be closer to zero, whereas if all developers adopted and there was 50% billings shift (bottom right), the revenue impact would be closer to ▓▓▓▓ Of course this all assumes we can actually collect the billings going through linking out, which as you can see in yellow, ranges from ▓▓▓▓ in the top left to ▓▓▓▓ n the bottom right. Any amount that we cannot collect will have a further impact on Apple's Revenue / Profitability.

Option 2D: Flat fee pricing
Based on average week 1 customer spend (LTV)

Average Week 1 LTV for In-App Payers through App Store
(FY18-FY22 by Cohort)

$40

$30

Proposed Fee Calculation

$20

$10

$0

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2D: Steady state revenue impact
Illustrative sensitivities for 200 developers and returning customers

Revenue Loss
% US Rev

Linkout Share

Key Assumptions / Sensitivities

Returning Customers	10%	20%	30%	40%	50%
0%					
10%					
25%					
50%					

- Assumes efficient implementation by developers to limit the tap through to be margin positive vs IAP
- Link-out billings not eligible for program discounts
- No collection risk factored into sensitivities

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

CX-0224.66

Revenue Loss
% US Rev

Option 2F: Revenue Impact Yr 1

$2 Flat Fee + Discounted Commission (~10%) for 1st year and 0% thereafter

Linkout Share

Key Assumptions / Sensitivities

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

- Assumes all subsequent transactions go through direct channels (with no commission / fee)

- For each subsequent transaction that goes through link out, there reduction in nominal loss

- Link-out billings not eligible for program discounts

- No collection risk factored into sensitivities

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2C: US revenue impact steady state
27% on IAP transactions and subscriptions for 1st year and 0% thereafter

[Nate]

If we decided and had the ability to charge and enforce a commission, we believe there would be very little developer adoption of link-out, assuming a scenario where we would give a cost of payments discount at 3%.

We ran the commission option through our developer decisioning model as well but this will likely not make economic sense for the vast majority of developers with the 3% discount in the near term given that's roughly equivalent to cost of payments. However we know there are other elements that will matter to developers like customer relationship and developers ability to monetize in others way they don't today with a transaction going through linking-out, hence we did a sensitivity.....

We believe based on low developer count adoption and low billings share (top left corner), the revenue impact would be closer to zero, whereas if all developers adopted and there was 50% billings shift (bottom right), the revenue impact would be closer to ▮▮▮▮ Of course this all assumes we can actually collect the billings going through linking out, which as you can see in yellow, ranges from ▮▮▮▮ in the top left to ▮▮▮▮ in the bottom right. Any amount that we cannot collect will have a further impact on Apple's Revenue / Profitability.

Option 2C: Steady state revenue impact
Illustrative sensitivities for 200 developers and returning customers

Revenue Loss
% US Rev

Linkout Share

Returning Customers	10%	20%	30%	40%	50%
0%					
25%					
50%					
100%					

These numbers are for illustrative purposes only, to aid discussion

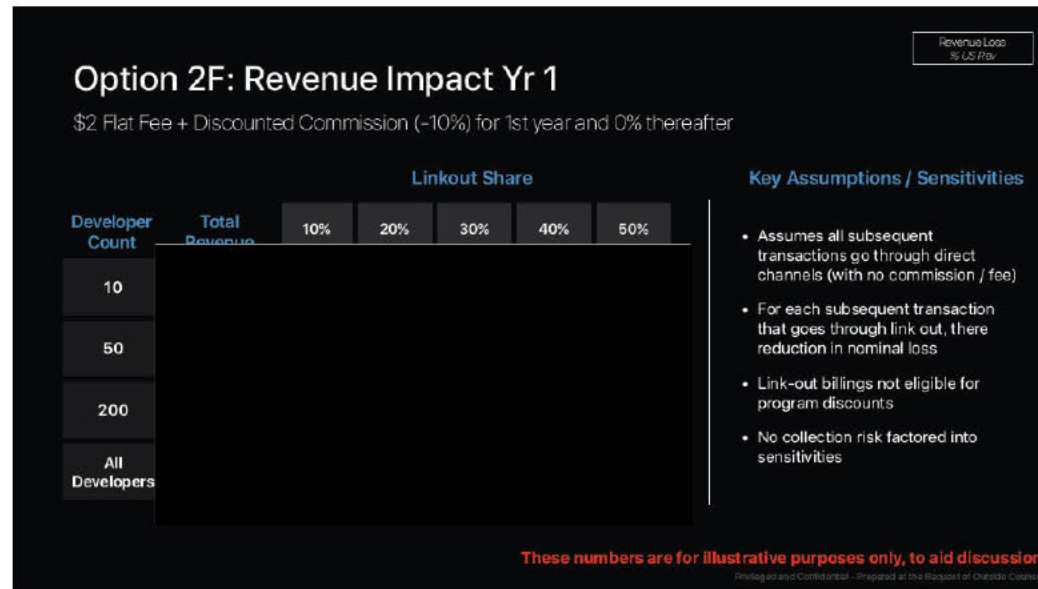Privileged and Confidential - Prepared at the Request of Outside Counsel

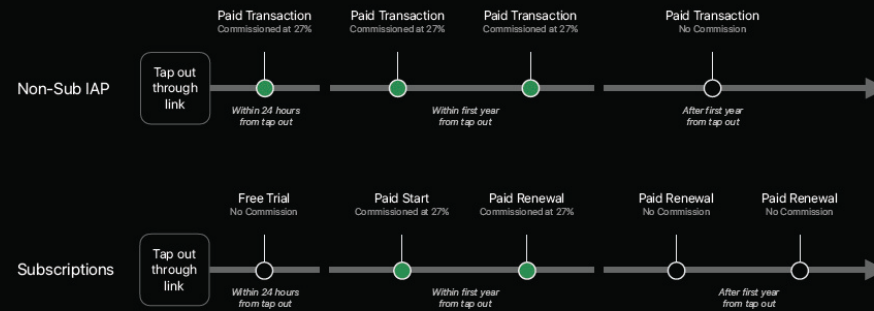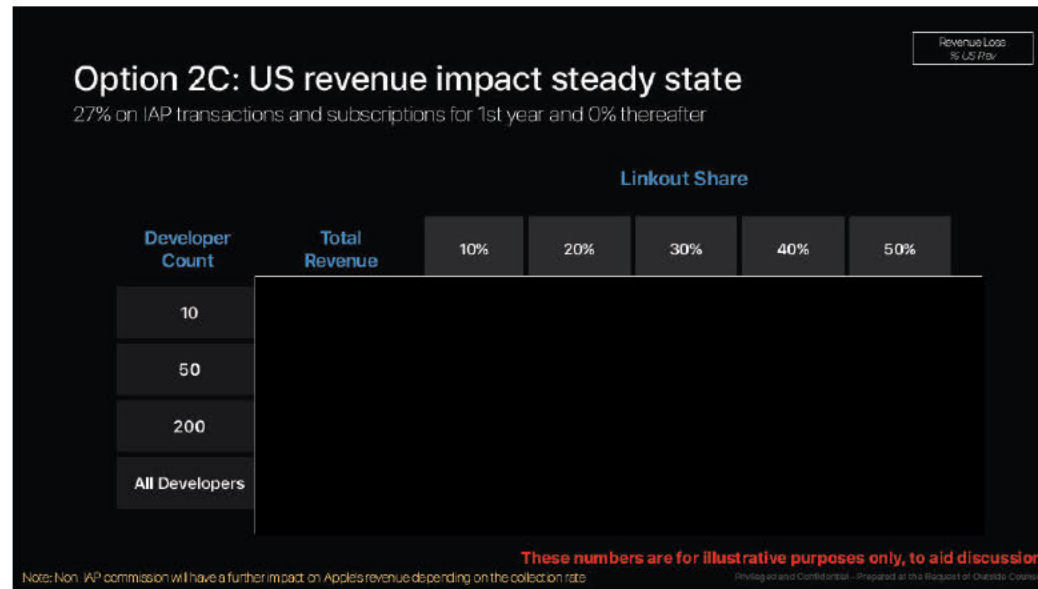CX-0224.70

Option 2D: US Revenue Impact Steady State
Discounted Commission (~10%) on IAP Transactions and Subscriptions for 1st year and 0% there after

[Nate]
If we decided and had the ability to charge and enforce a commission, we believe there would be very little developer adoption of link-out, assuming a scenario where we would give a cost of payments discount at 3%.
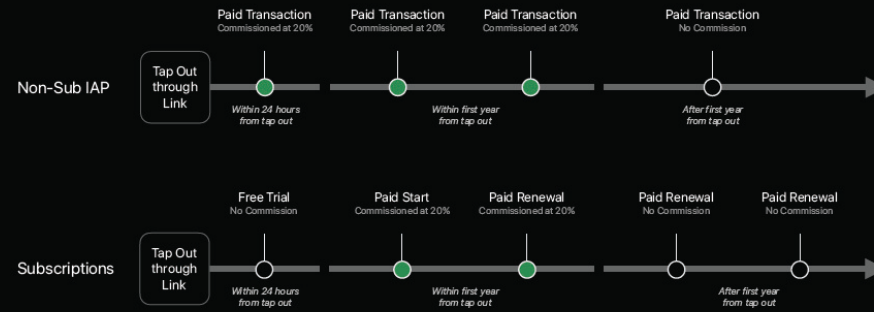
We ran the commission option through our developer decisioning model as well but this will likely not make economic sense for the vast majority of developers with the 3% discount in the near term given that's roughly equivalent to cost of payments. However we know there are other elements that will matter to developers like customer relationship and developers ability to monetize in others way they don't today with a transaction going through linking-out, hence we did a sensitivity.....

We believe based on low developer count adoption and low billings share (top left corner), the revenue impact would be closer to zero, whereas if all developers adopted and there was 50% billings shift (bottom right), the revenue impact would be closer to ▮▮▮▮ Of course this all assumes we can actually collect the billings going through linking out, which as you can see in yellow, ranges from ▮▮▮▮ in the top left to ▮▮▮▮ in the bottom right. Any amount that we cannot collect will have a further impact on Apple's Revenue / Profitability.

Option 2D: Steady State Revenue Impact

Illustrative sensitivities for 200 Devs and returning customers

Revenue Loss
% US Rev

Linkout Share

Returning Customers	10%	20%	30%	40%	50%
0%					
25%					
50%					
100%					

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2D: US Revenue Impact Yr 1

Discounted Commission (~10%) on IAP Transactions and Subscriptions for 1st year and 0% there after

		Revenue Loss % US Rev

Linkout Share

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

These numbers are for illustrative purposes only, to aid discussion

Note: Non IAP commission will have a further impact on Apple's revenue depending on the collection rate

Privileged and Confidential - Prepared at the Request of Outside Counsel

[Nate]

If we decided and had the ability to charge and enforce a commission, we believe there would be very little developer adoption of link-out, assuming a scenario where we would give a cost of payments discount at 3%.

We ran the commission option through our developer decisioning model as well but this will likely not make economic sense for the vast majority of developers with the 3% discount in the near term given that's roughly equivalent to cost of payments. However we know there are other elements that will matter to developers like customer relationship and developers ability to monetize in others way they don't today with a transaction going through linking-out, hence we did a sensitivity.....

We believe based on low developer count adoption and low billings share (top left corner), the revenue impact would be closer to zero, whereas if all developers adopted and there was 50% billings shift (bottom right), the revenue impact would be closer to ██████ Of course this all assumes we can actually collect the billings going through linking out, which as you can see in yellow, ranges from ██████ in the top left to $██████ in the bottom right. Any amount that we cannot collect will have a further impact on Apple's Revenue / Profitability.

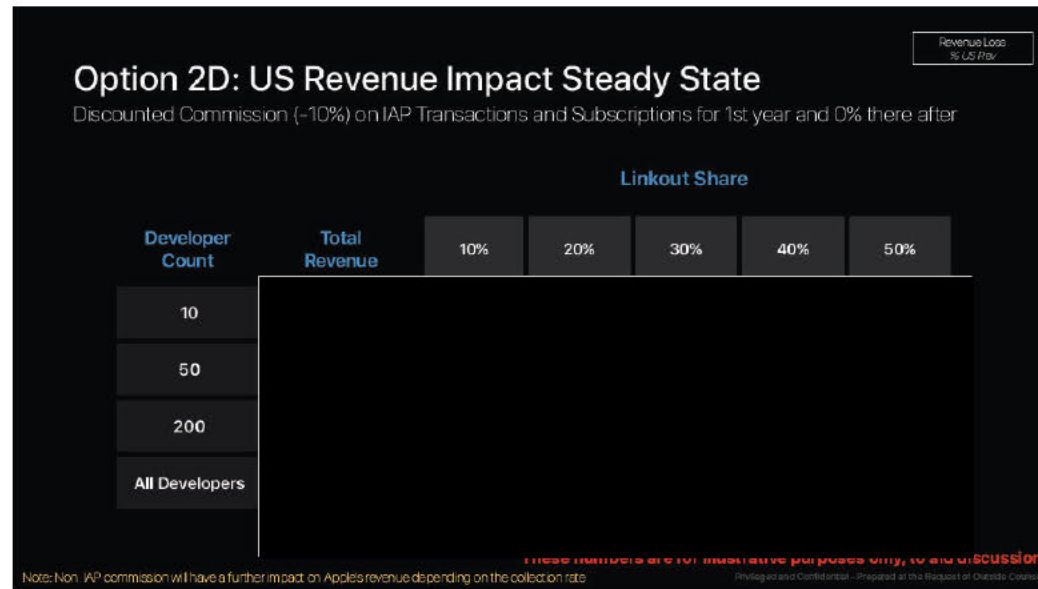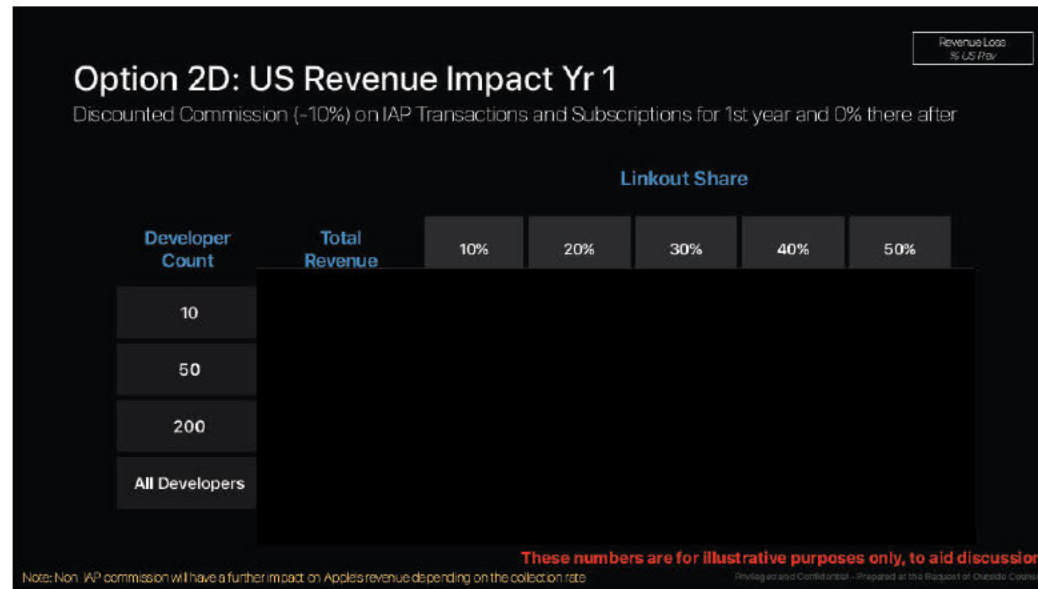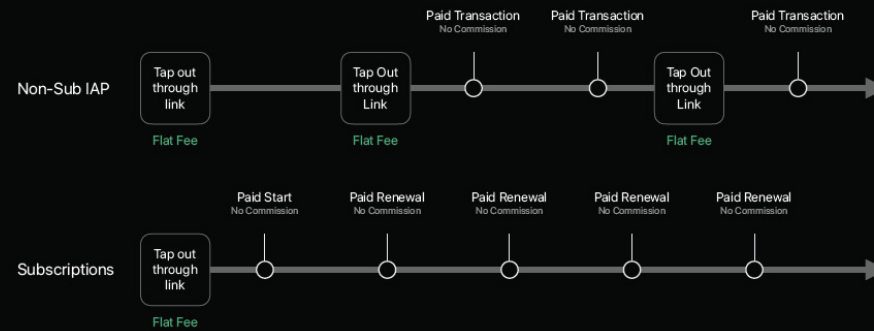## Option 2E: Flat fee pricing
Based on average week 1 customer spend (LTV)

Average Week 1 LTV for In-App Payers through App Store
(FY18-FY22 by Cohort)

Proposed Fee Calculation

These numbers are for illustrative purposes only, to aid discussion
Privileged and Confidential - Prepared at the Request of Outside Counsel

CX-0224.76

Option 2E: Revenue impact
Flat fee ($10) charged each time a customer links out

Revenue Loss
% US Rev

Linkout Share

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2A: Steady state revenue impact
Illustrative sensitivities for 200 developers and returning customers

Linkout Share

Key Assumptions / Sensitivities

Returning Customers	10%	20%	30%	40%	50%
0%					
25%					
50%					
100%					

Revenue Loss % US Rev

- Assumes efficient implementation by developers to limit the tap through to be margin positive vs Apple IAP
- Link-out billings not eligible for program discounts
- No collection risk factored into sensitivities

These numbers are for illustrative purposes only, to aid discussion

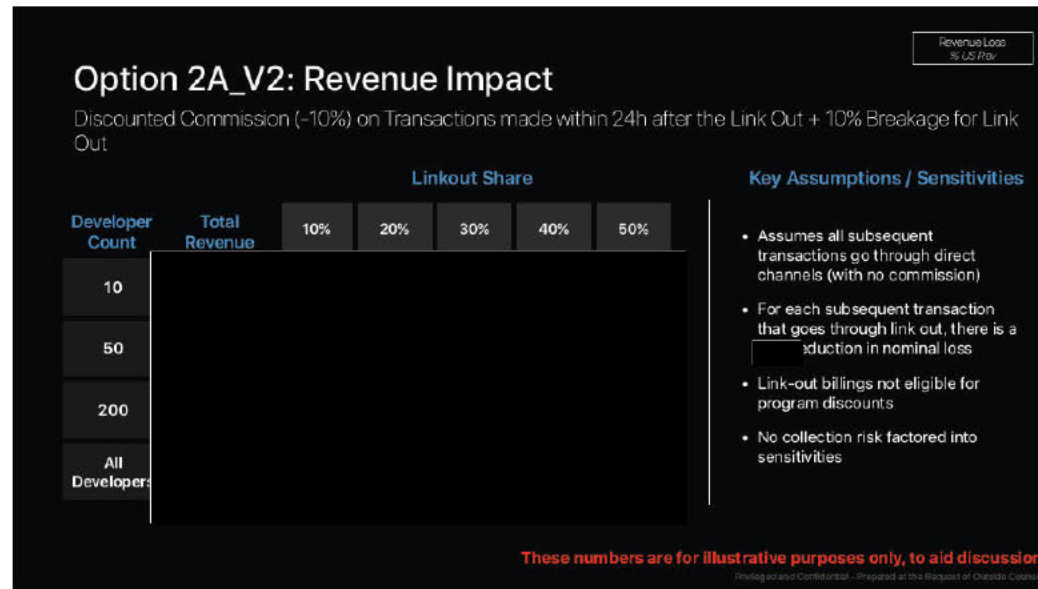Privileged and Confidential - Prepared at the Request of Outside Counsel

[Kunnal]

CX-0224.78

Option 2A_V2: Revenue Impact

Discounted Commission (~10%) on Transactions made within 24h after the Link Out + 10% Breakage for Link Out

Revenue Loss
% US Rev

Linkout Share

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

Key Assumptions / Sensitivities

- Assumes all subsequent transactions go through direct channels (with no commission)
- For each subsequent transaction that goes through link out, there is a ...duction in nominal loss
- Link-out billings not eligible for program discounts
- No collection risk factored into sensitivities

These numbers are for illustrative purposes only, to aid discussion

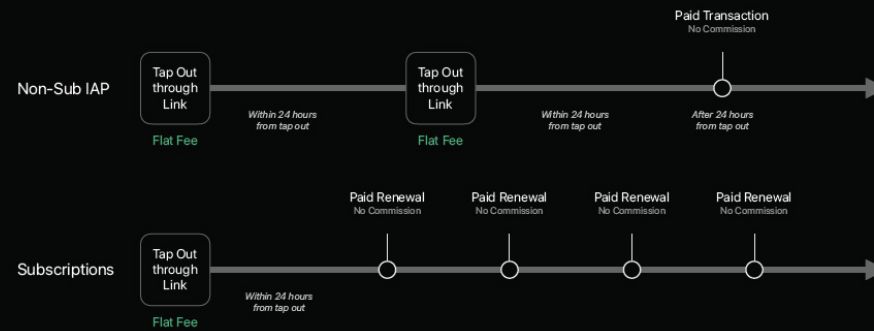Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2A_V3: Revenue Impact

Discounted Commission (~10%) on Transactions made within 24h after the Link Out + 10% Breakage for Link Out

Revenue Loss
% US Rev

Linkout Share

Developer Count	Total Revenue	10%	20%	30%	40%	50%
10						
50						
200						
All Developers						

Key Assumptions / Sensitivities

- Assumes all subsequent transactions go through direct channels (with no commission)
- For each subsequent transaction that goes through link out, there is a _____ eduction in nominal loss
- Link-out billings not eligible for program discounts
- No collection risk factored into sensitivities

These numbers are for illustrative purposes only, to aid discussion

Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 2G: Flat fee pricing
Based on average week 1 customer spend (LTV)

**Average Week 1 LTV for In-App Payers through App Store
(FY18-FY22 by Cohort)**

$40

$30

$20
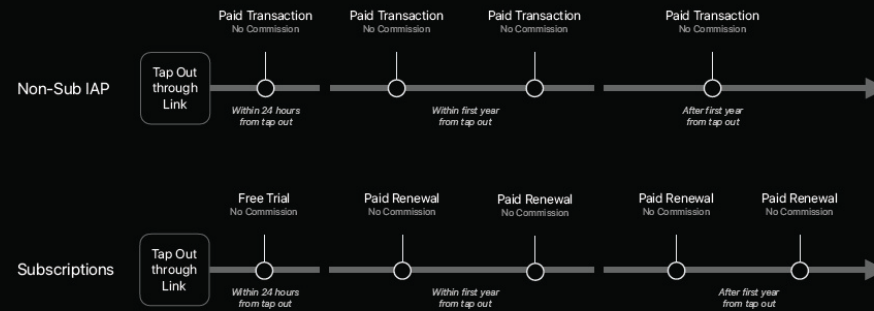
$10

$0
Avgui

Proposed Fee Calculation

These numbers are for illustrative purposes only, to aid discussion

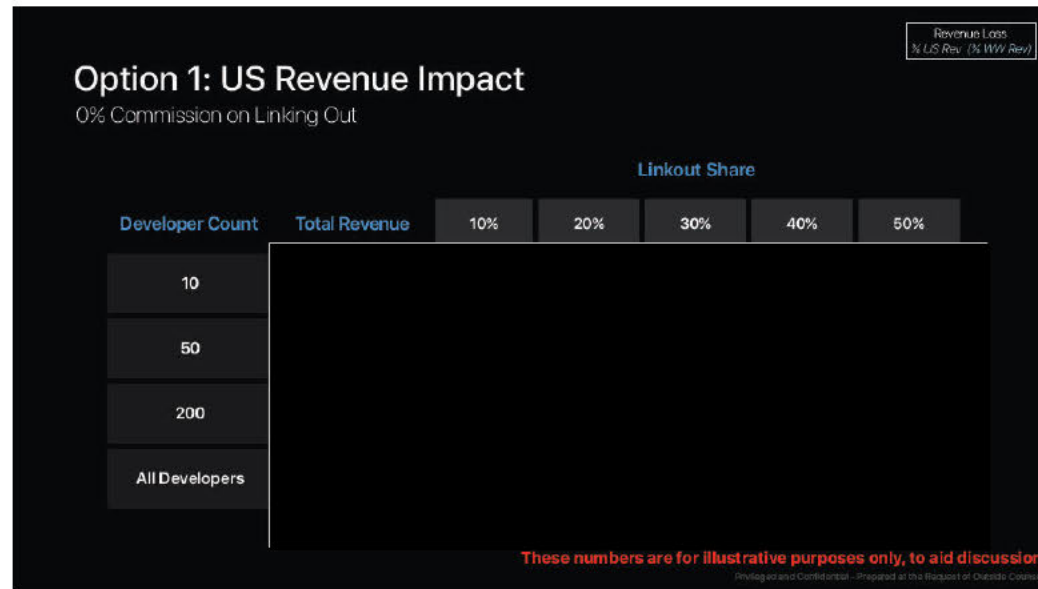Privileged and Confidential - Prepared at the Request of Outside Counsel

Option 1: US Revenue Impact
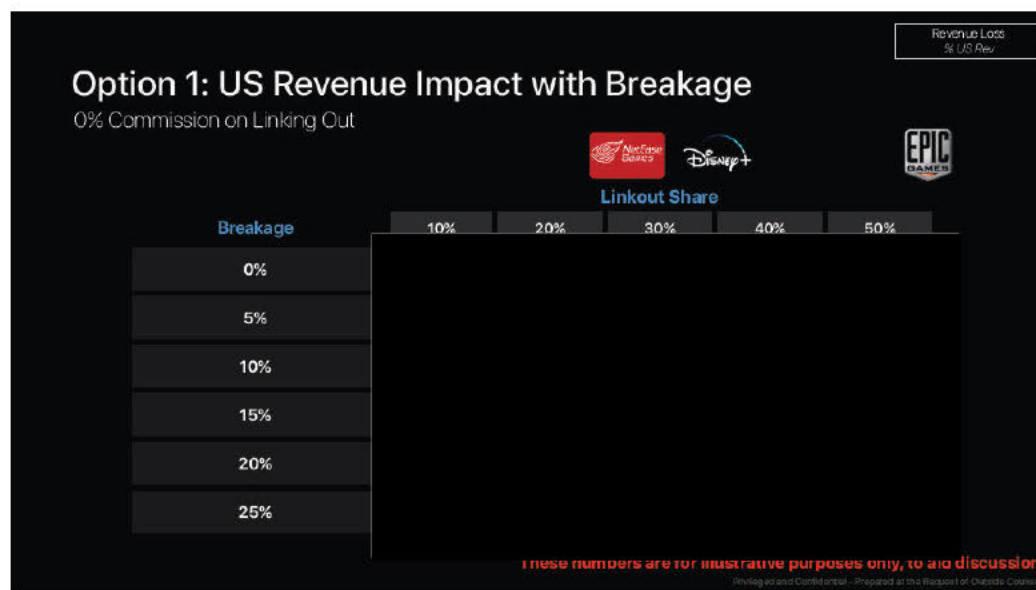0% Commission on Linking Out
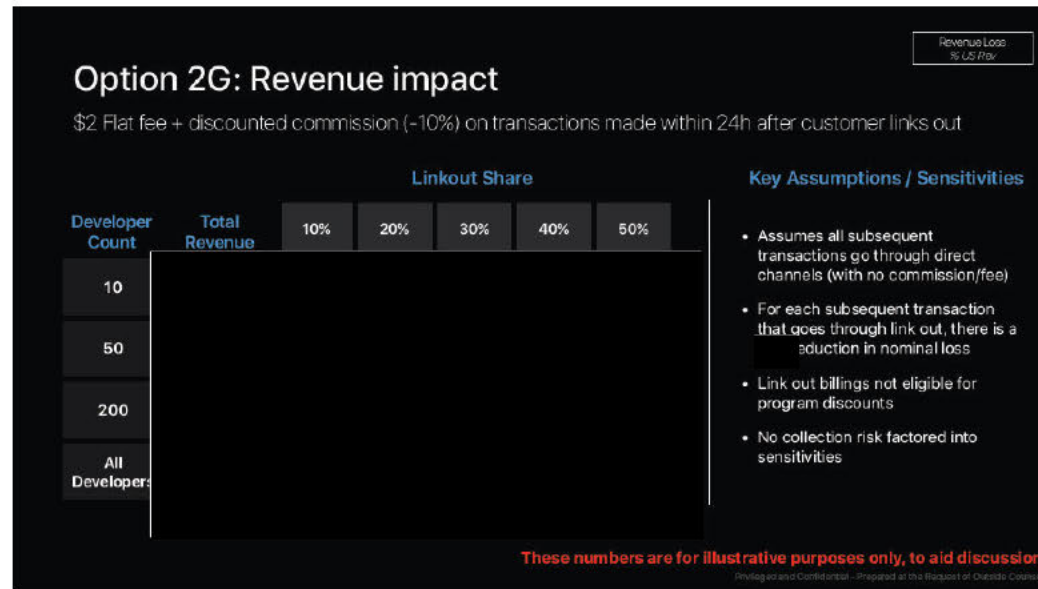
[Nate]
Tim – these are the slides Alex and I presented to you last time we met on this topic. This was a general sensitivity chart that showed what the revenue impact would be simply based on count of developers adopting link-out and % of revenue shifting to linking-out.

We know it's very likely that when a link-out happens, there will be some breakage, meaning customer dropping off during the buy-flow process due to a less seamless experience compared to Apple's iAP, and so we wanted to show you another view that takes this factor into account.

Click

Option 1: US Revenue Impact with Breakage
0% Commission on Linking Out

These numbers are for illustrative purposes only, to aid discussion

[Nate]

We have run various sensitivities through our developer economic decisioning model to forecast whether or not a developer will adopt linking out.

On the rows, this accounts for the revenue impact if breakage is 0% and all the way up to 25%. Beyond 25%, developers reach a tipping point where they lose more on linking out than they would make sticking with Apple iAP and the higher commission.

For the share of billings linking-out, we are showing sensitivities from 10% to 50%, which will depend where is the text and the language developers are allowed to use. We don't have great data points on what this will end up being, but we have a situations we've encountered to point to.

The range of impact on the low end with 25% breakage and 10% billings shift (bottom left corner) is more negligible at ███████ However on the other end with 0% breakage and 50% billings shift (top right corner), it's closer to ████ of U.S. revenue that Apple would lose. A more middle ground scenario of 10% breakage and 30% billings shift would result in ████ of revenue loss, nearly ████ of our U.S. App Store revenue.

Next, XX will recap the pros and cons of Option 1 with not charging a commission.

CX-0224.87

Option 1: Considerations
0% Commission on Linking Out

Benefits	Risks
Attorney-Client Privilege	• Meaningful financial risk due to new in-app channel for developers without commission
• Avoids new challenge on applying commission to web sales	• Increases volume and complexity of enforcement by App Review
• Avoids challenges of collecting commission on web sales	**Attorney-Client Privilege**
• Maintains integrity of in-app purchase option	• Diverges from alt payments approach to date; could spread to other markets

For discussion only

Privileged and Confidential – Prepared at the Request of Outside Counsel

[Sean]

CX-0224.89